

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 /017 W
----- 091208

R 190720Z APR 75
FM AMCONSUL MADRAS
TO USDOC WASHDC
INFO SECSTATE WASHDC 2852
AMEMBASSY NEW DELHI
AMCONSUL BOMBAY
DFSC CAMERON STATION
COMSC WASHDC
MARAD WASHDC

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E.O. 11652: N/A
TAGS: OGEN, IN
SUBJECT: TRANSHURON AUCTION

REF: USDOC 5810

1. REFTTEL RECEIVED AFTER ECONOFF LEFT MADRAS FOR CALICUT,
BUT OBSERVER PROCEEDED ON ASSUMPTIONS IDENTICAL TO YOUR
INSTRUCTIONS.

2. AUCTION A NON-EVENT. HELD IN OFFICE OF ADMINISRATOR OF
UNION TERRIROTY OF LAKSHADWEEP, BUILDING OUT OF CONRAD NOVEL
ON BEACH NEAR WHERE VASCO DA GAMA FIRST LANDED N INDIA.
AUCTION RUN BY FIVE-MAN PANEL CONSISTING OF SETTLEMENT OFFICER,
HARBOR ENGINEER, AND SHIPPING ENGINEER FOR TERRITORY PLUS
CAPTAIN AND CHIEF ENGINEER OF LOCAL SHIP. COMMISSIONER
OF POLICE AND LEGAL ADVISER ALSO PRESENT. LEGAL ADVISER READ
AUCTION NOTICE (WHICH BOMBAY 688 SAID WAS POUCHED
TO MORLEY IN NEA/INS) IN BOTH ENGLISH AND MALAYALAM.
BIDDING THEN OPENED, WITH STIPULATION HAT MINIMUM PRICE
ACCEPTABLE WAS RS 1.1 MILLION (ABOUT 140,000 DOLLARS).
PRICE OBVIOUSLY FAR TOO HIGH, AND AUCTION ENDED ONE HOUR
LATER WITHOUT A SINGLE BID FROM CROWD OF ABOUT SIXTY PEOPLE

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WHICH INCLUDED SALVAGE OPERATORS FROM BOMBAY, CALCUTTA,

AND MADRAS.

3. OBSERVER GATHERED IN CONVERSATIONS WITH BIDDERS THAT THEY CALCULATED ROUGHLY 2,000 TONS OF SALVAGEABLE SCRAP STEEL IN TRANSHURON. AUCTIONEERS SAID ABOUT 2,500. AT PRESENT MARKET PRICE OF RS 800 (100 DOLLARS) PER TON, THIS WOULD FETCH RS 1.6 TO 2 MILLION. ADD ANOTHER RS 200,000 FOR MACHINERY, AND TOTAL RECOVERABLE VALUE AMOUNTS TO RS 1.8 TO RS 2.2 MILLION (225,000 TO 275,000 DOLLARS) DEPENDING ON WHETHER DEALERS OR AUCTIONEERS ESTIMATE ACCEPTED. SET AGAINST THIS WOULD BE MINIMUM BID PRICE OF RS 1.1 MILLION, CUSTOMS DUTY OF 47 AND A HALF PERCENT OR ABOUT RS 500,000, RENTAL FOR TWO TUGS AT ABOUT RS 300,000, AND OTHER SALVAGE AND EQUIPMENT COSTS OF PERHAPS RS 300,000. TOTAL COST OF OPERATION WOULD BE RS 2.2 MILLION, MAKING THE ENTIRE PROPOSITION A LOSER FROM THE BEGINNING. IN ADDITION, BIDDERS WELL AWARE OF PHYSICAL RISKS IN TRYING TO GET TRANSHURON OFF KILTAN REEF BEFORE MONSOON STORMS BREAK AROUND END OF MAY. MANY OF THEM ALSO SEEMED WELL AWARE OF LEGAL RAMIFICATIONS OF SECTION 399(1) OF MERCHANT SHIPPING ACT OF 1958 WHICH GIVES SHIP'S OWNER ONE YEAR TO ESTABLISH HIS CLAIM, AND DOUBTED LEGALITY OF AUCTION BY LAKSHADWEEP ADMINISRATOR. FINALLY, THEY ALL AWARE THEY WOULDPROBABLY FACE YEAR OR TWO OF NEGOTIATIONS WITH INDIAN CUSTOMS OVER ESTABLISHING TRUE VALUE FOR DUTY ASSESSMENT, PLUS SCRAP METAL PRODUCED WOULD LEGALLY BELONG TO GOI MINERAL AND METALS TRADING CORPORATION, WHICH WOULD HAVE TORECEIVE ITS FEE TO RELEASE TITLE TO SCRAP. IT WAS LITTLE WONDER NO ONE BID.

4. TRANSHURON WILL NOW RIDE OUT THE COMING MONSOON, WHICH WILL LAST APPROXIMATELY FROM THE END OF MAY UNTIL THE END OF SEPTEMBER. IT IS REPORTEDLY PERCHED A PRECARIOUS FIFTY METERS FROM THE EDGE OF A 600 FOOT DEEP TRENCH, WHICH THE MONSOON WINDS WILL PUSH IT TOWARD. IF THE HULK SURVIVES, IT WILL BE AUCTIONED OFF AGAIN AROUND OCOBER 1975, WHEN THE LEGAL RESERVATION WILL NO LONGER APPLY.

5. INTERESTING SIDENOTE OBSERVER PICKED UP WAS RUMOR, WIDELY DISPERSED AMONG COMPANIES ATTENDING BIDDING AND EVEN HEARD BY TERRITORIAL ADMINISTRATOR, THAT TRANSHURON WAS SUCH AN OLD, LIMITED OFFICIAL USE

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UN SOUND SHIP, IN SUCH POORLY MAINTAINED CONFITION, THAT IT JUST POSSIBLE THAT OWNERS WRECKED IT ON PURPOSE TO COLLECT INSURANCE. TOTAL LACK OF RESPONSE FROM U.S. OWNERS TO AUCTION NOTICE, KNOWLEDGE THAT THEY WOULD DOUBTLESS COLLECT FROM INSURANCE POOL, SERVED TO REINFORCE THIS OPINION. OBSERVER ATTEMPTED, WITH CONSIDERABLE SUCCESS, SHOOT DOWN THIS IDEA BY POINTING OUT IT HIGHLY UNLIKELY SHIPS CREW WOULD ACCEPT PHYSICAL RISKS OF ATTEMPTING O WRECK A FULLY LOADED TANKER, AND NOTING

THAT LACK OF INTEREST IN SALVAGE BY OWNERS NOT SURPRISING WHEN THOSE PRESENT HAD THEMSELVES JUDGED AT AUCTION THAT RECOVERY NOT WORTH THE COST.

6. LOCAL PRESSMAN TOLD OBSERVER THAT TERRITORIAL ADMINISTRATOR HAD SAID IN OFF THE RECORD INTERVIEW DAY BEFORE AUCTION HAT MINIMUM PRICE WOULD BE RS 500,000, AND EXPRESSED SURPRISE HAT MINIMUM WAS SET MORE THAN TWICE AS HIGH. THIS RAISES POSSIBILITY THAT PRESENCE OF USG OBSERVER GAVE ADMINISTRATOR COLD FEET AND HE RESET MINIMUM PRICE HIGH ENOUGH TO KILL BIDDING. ON OTHER HAND, ADMINISTRATOR, A MEMBER OF IAS UNION TERRITORIES' CADRE IMPRESSED OBSERVER AS INTELLIGENT, REASONABLE MAN NOT OUT TO PULL A FAST ONE. WHILE THE OWNERS AND INSURERS DEAL WITH EACH OTHER IN ABSZDACT TERMS BEHIND CLOSED DTTRS THOUSANDS OF MILES AWAY, HE HAS HIS HANDS FULL WITH THE PRACTICAL PROBLEM OF WHAT TO DO WITH A BIG SHIP PERCHED ON HIS SMALL ISLAND. AUCTION WAS PROBABLY SLIGHTLY DESPERATE EFFORT TO TRY TO GET RID OF SHIP, AND NOT WASTE ALL THOSE TONS OF NEEDED SCRAP STEEL, BEFORE MONSOON SINKS IT.

7. ECOLOGICAL NOTE. ADMINISTRATOR TOLD OBSERVER THAT UN TEAM WHICH VISITED ISLAND REPORTED THAT OIL SPILL HAS CAUSED DEATH OF SUBSTANTIAL AREA OF CORAL. ADMINISTRATOR FEARS THIS MAY WEAKEN PROTECTION WHICH REEF AFFORDS SMALL LOW ISLAND FROM BATTERING SEAS. SPILLED OIL ALSO ABSORBED BY THIN POROUS SAND COVERING ISLAND, AND HAS BEEN PICKED UP BY ROOTS OF COCONUT TREES, ISLANDS ONLY CROP. A THIRD TO ONE-HALF OF TREES APPARENTLY CHANGING COLOR. ADMINISTRATOR SAID UN EXPERTS TOLD HIM IT WILL BE A YEAR BEFORE FULL EFFECTS BECOME APPARENT. HE IS AWARE OF TOVALOP INSURANCE COVER FOR SUCH DAMAGE.
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